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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - December 28, 2007

¶1. The following are brief items of interest compiled by Embassy Minsk. The next weekly will come out January 11. Happy New Year!

TABLE OF CONTENTS

Civil Society

- Authorities to Approve Undergraduate Matriculation (para. 2)
- Polish Catholic Priest Expelled from Belarus (para. 3)
- Youth Urge Political Prisoner Release (para. 4)

Domestic Economy

- Tax benefits to support rural entrepreneurs (para. 5)
- Average wages fall in November (para. 6)

International Trade and Investment

- Rumors of Major Asset Sales to Russia Denied (para. 7)
- Gazprom Leaves Price Formula for Belarus Unchanged (para. 8)
- Belarus' Largest Bank Seeks Foreign Investment (para. 9)

Quote of the Week (para. 10)

Civil Society

¶2. Authorities to Approve Undergraduate Matriculation

Education Minister Aleksandr Radkov announced plans December 25 to require potential undergraduate students in public administration, international relations, and journalism to present letters of recommendation from special commissions under local executive authorities. Radkov maintained the move would neither restrict people's right to education nor violate any enacted legislation. He also noted university administration should assess whether undergraduate studies applicants could be enrolled for highly responsible majors and professions. He called journalism a "respected" profession and said journalists should feel "responsibility" and "not propagate anti-governmental ideas."

¶3. Polish Catholic Priest Expelled from Belarus

Polish Catholic Priest Grzegorz Hudek left Belarus December 23 after a deportation order against him was issued in November. Hudek served over 14 years in Rechytza, Gomel oblast, before receiving a deportation order in November over his allegedly critical comments in a Polish newspaper. Rechytza religious affairs official Mikhail Zhukevich claimed Hudek did not maintain "a dialogue with authorities" and "spoke negatively about Rechytza." He also stated

that deportation was "Hudek's personal problem" and not a sign of "confrontation" with the church. Over 700 believers signed a petition in vain urging the GOB to extend Hudek's registration in Rechytsa.

14. Youth Urge Political Prisoner Release

Opposition youth staged a picket in central Minsk December 26 to protest the sentencing of political prisoner Artur Finkevich sentence to 18 months six days earlier. Police took away Finkevich's portraits and briefly detained five demonstrators. Picket organizers plan to continue such rallies across Belarus. Finkevich intends to appeal the conviction and the sentence.

Domestic Economy

15. Tax benefits to support rural entrepreneurs

Lukashenko signed decree number 9 December 21 to provide tax benefits and exemptions for businesses and individual entrepreneurs registered and operating in rural areas. The decree comes into effect on January 1, 2008 and will provide five-year exemptions from profit and real estate tax, transfers to the innovation fund, customs payments and VAT on equipment imported to contribute to firms' charter funds. The decree also allows banks to issue up to 20,000 Euro loans without collateral to support investment projects in rural areas. The decree does not apply to highly profitable activities or to companies and entrepreneurs enjoying other preference or benefits.

16. Average wages fall in November

Belarus' average pre-tax monthly pay dropped from USD 343 in October
MINSK 00001059 002 OF 002

to USD 342 in November, according to the Ministry of Statistics. The Ministry reported December 24 that the country's average real pre-tax monthly salary in November fell by 2.4 percent from October. However, year-on-year salaries rose 0.8 percent in real terms.

International Trade and Investment

17. Rumors of Major Asset Sales to Russia Denied

Belarus' Deputy Economy Minister Oleg Melnikov stated December 21 that the GOB has no plans to sell stakes in Naftan, one of the country's two oil refineries, to foreign investors. One of Belarus' few opposition newspapers, "Nasha Niva," wrote December 19 that Russia's Lukoil would like to buy more than 50 percent of Naftan's shares. The company performed poorly this year, with profitability plunging from 27.1 percent in 2006 to just 1.5 percent. Melnikov also dismissed rumors Belarus would sell any of the country's blue chips to Russian companies in return for a USD 1.5 billion stabilization loan, which Belarus received December 26.

18. Gazprom Leaves Price Formula for Belarus Unchanged

According to press services, Gazprom Chairman Alexey Miller held a working meeting on December 21 with Belarus' Deputy Premier Vladimir Semashko. The parties discussed gas supplies and related issues, and reiterated their commitment to the four-year agreement signed December 31, 2006. In echoing comments made by Vladimir Putin in Minsk on December 14, Gazprom signaled GOB failure to minimize further natural gas price increases in 2008.

19. Belarus' Largest Bank Seeks Foreign Investment

Vladimir Novik, Deputy Chairman of the Board of Belarus' largest state-owned bank, Belarusbank, told Reuters December 24 that the bank has plans to sell a stake of at least ten percent to a foreign investor in 2008. Belarusbank, 99 percent owned by the government, would prefer a major Western bank to a Russian bank as a strategic

partner, as state-of-the-art banking technologies and management methods are still new in Russia, according to Novik. Belarusbank's plans for 2008 also include issuing Eurobonds.

¶10. Quote of the Week

Deputy Prime Minister Ivan Bambiza told journalists he found a silver lining in complaints by Belarusians that they cannot afford certain "delicacies," such as cured meats. When people feel they do not have enough money "that is normal. If a person feels dissatisfied all the time by his salary, that's good. That means he will always be motivated to earn more."

Moore